The Paradox of Borrowed Sovereignty: How Conservative Economies Live on Liberal Capital

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Abstract

Across **Central and Eastern Europe**, governments that proclaim national self-reliance and moral conservatism owe their prosperity to the very liberal institutions they denounce. This study explores the paradox of ***borrowed sovereignty***—the condition in which political independence coexists with financial subordination. Drawing on comparative evidence from **Hungary, Poland, and Slovakia**, it demonstrates how post-2004 integration produced economic growth without domestic accumulation. GDP expansion in these states has been driven less by endogenous innovation than by external transfers: EU cohesion funds, foreign direct investment, and cheap credit imported from Western Europe.

While these inflows sustained infrastructure and consumption, they also entrenched structural dependency. Governments converted external financing into symbols of national virtue, moralizing austerity as discipline and dependency as patriotism. The result is a region that performs sovereignty while outsourcing its economic foundation. The paper argues that this duality—fiscal reliance combined with ideological defiance—has redefined Europe's internal hierarchy, replacing sanctions with conditionality and politics with compliance.

By tracing the interaction between economic structure, political theatre, and moral narrative, the paper situates the Central European experience within the broader debate on post-sovereign governance. It concludes that Europe's periphery has mastered the art of surviving through borrowed capital and borrowed conviction, revealing a twenty-first-century model of dependency in which stability is purchased at the expense of autonomy and innovation.

Keywords: EU conditionality; cohesion funds; fiscal dependency; conservative economies; FDI leakage; sovereignty paradox; integration rents
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1. Introduction – The Irony of Self-Reliance

Nations that present themselves as moral fortresses against *Brussels*—***Hungary, Poland, and several Balkan states***—display growth rates that ***far exceed their internal capital autonomy***. Their economic ***"success stories"*** rest less on indigenous productivity than on imported capital, EU transfers, and transnational supply chains that anchor them within the single market (Eurostat 2024; OECD 2023). Yet their political identity is built on the idea of

cultural self-sufficiency and Christian traditionalism. The contrast between rhetoric and reality exposes the central paradox of the region's development model (Bohle & Greskovits, 2019).

Beneath the triumphalism lies a quieter structural problem: the underdevelopment of domestic innovation and scientific capacity. Decades of dependence on external technology and ***Western-owned industry*** have cultivated managerial imitation rather than original research (Inzelt 2022). University systems, historically underfunded and politically patronized, produce administrators rather than inventors (Barna et al. 2020). The result is a thin layer of technical competence serving foreign-owned production lines, while the deeper ecosystem of discovery remains shallow. Science, research, and innovation—the fundamental foundations of sovereignty—are still effectively imported.

Compounding this is a sociocultural stagnation that constrains productivity. High rates of alcoholism, low life expectancy among working-age males, and the persistence of informal networks over meritocratic institutions erode the very human capital that modern economies require (WHO Regional Office for Europe 2023; CSD 2021). The cultural pride that fuels conservative identity too often masks an inward-looking fatalism: a belief that discipline is moral rather than intellectual, that tradition can substitute for innovation. These patterns are not relics of communism alone; they represent a continuing failure to convert social stability into scientific advancement (Kornai 2012; Csaba 2018).

The irony, then, is that the states most vocal about moral renewal depend on the liberal Europe they critique not only for financial flows but also for knowledge flows—for the R&D partnerships, pharmaceutical trials, aerospace projects, and digital infrastructure that sustain their modernization (European Commission 2023; EIB Innovation Report 2022). Their economies borrow both capital and cognition. The sovereign narrative of self-reliance is thus built on the invisible scaffolding of borrowed science.

The central question, therefore, deepens: How can political sovereignty coexist with financial and intellectual dependence? This tension defines the post-2004 European order, in which integration replaced conquest and fiscal conditionality replaced colonial administration (Bickerton et al. 2021). The twenty-first-century empire is not territorial but procedural: it governs through ***subsidies, standards, and scientific monopolies***. Within that system, conservative economies stand proudly independent in symbolism while remaining structurally dependent in substance—a borrowed sovereignty draped in national flags.

2. Borrowed Growth Masquerading as Strength

From 2014 to 2023, EU structural and investment funds represented between 2 and 5 percent of annual GDP in most Central European states (Eurostat 2024; European Commission 2023). These funds financed a large share of public infrastructure spending—highways, hospitals, digital networks—that national governments later branded as symbols of domestic competence and moral governance. In public discourse, these projects became proof that "traditional values and national discipline" could produce modern success, even though the capital and technical standards originated in Western Europe.

Patterns of foreign direct investment reinforce the illusion of autonomous prosperity. German automotive clusters in **Hungary, Slovakia, and the Czech Republic** dominate industrial output and exports (UNCTAD World Investment Report 2023). Yet these sectors generate limited local innovation spillovers or ownership. Value creation is offshored through royalty payments and profit repatriation (Bohle & Greskovits, 2019; OECD, 2023). The region acts as a *workshop* for Western brands rather than an autonomous production system.

At the macro level, growth is supported in three ways:

Through public transfers—cohesion and recovery funds — fill budget gaps that national tax bases cannot cover (ECFIN 2022). Through private capital, multinationals finance industrial capacity while extracting surplus profits abroad (EIB 2022). Through cheap credit—low European Central Bank rates and EU loan programs — artificially boost construction and consumption (Hermes & Köhler-Geib 2021).

Consequently, headline ***GDP growth masks imported prosperity. Domestic capital formation remains weak***, R&D expenditure stagnates below 2 percent of GDP (OECD 2023), and wage growth is disconnected from productivity (Eurofound 2022). When external funding cycles slow—as seen during the 2022–2024 rule-of-law conditionality freeze—state investment contracts abruptly, revealing how thin the foundation is (Horváth 2023).

Governments nonetheless convert these temporary inflows into political capital. Projects co-financed by Brussels are inaugurated under national flags while the EU emblem is hidden from billboards or media broadcasts. The funding is moralized: economic integration is reframed as proof of divine favor for a disciplined nation. Such narratives sustain a "theology of growth" in which success is cultural virtue rather than financial architecture (Pap & Kovács 2021).

The data tell a different story. Between 2010 and 2022, foreign-owned enterprises generated over 60 percent of Hungary's exports and nearly half of industrial employment (Hungarian Central Statistical Office 2023). In Poland, more than 70 percent of new industrial investment originated from foreign sources (Piekarska 2023). These economies have grown through integration rather than sovereignty. Their claim to self-reliance rests on a balance sheet written in Brussels and Frankfurt.

Thus, what is celebrated as a ***"Central European renaissance"*** is essentially a product of financial influence: wealth flows from the liberal core to the conservative periphery through credit, contracts, and conditionality, anchoring these states in a permanent dependency loop (European Parliament Research Service 2023). The borrowed growth that pretends to be strength reveals how sovereignty itself has become a managed illusion—profitable for both sides, but owned by neither.

3. Fiscal Conservatism on Liberal Money

Across ***Central and Eastern Europe***, conservative administrations have built their legitimacy on the language of restraint—balanced budgets, family protection, and "national work ethics." Yet the fiscal record reveals an opposite reality: state budgets remain heavily dependent on redistribution from the European Union and from private foreign capital. The rhetoric of prudence disguises a political economy of permanent subsidy.

Austerity by Subsidy

Hungary, Poland, and Slovakia present themselves as models of **fiscal responsibility**, boasting of ***low public debt ratios and disciplined tax policy***. But a large portion of that stability is imported. Between ***2014 and 2023, transfers from EU cohesion*** and recovery instruments covered between ***30 and 60 percent of public investment*** in these states (European Commission 2023). When the ***flow of EU funds slows, deficits immediately widen*** (Horváth 2023). This means that ***"conservatism"*** functions less as ideology than as ***branding***—the visible performance of discipline made possible by invisible external liquidity.

In practice, the budgets of these nations are balanced by the taxes of the very societies they define as decadent: Scandinavian social democracies and Western European welfare states. Liberal taxpayers underwrite conservative symbolism. Without this transfer system, fiscal restraint would collapse under the weight of underfunded healthcare, pension, and education systems (OECD 2023).

The Political Use of Scarcity

Fiscal conservatism performs a second function: it turns scarcity into identity. By framing austerity as moral superiority, governments transform economic limitation into civic virtue. Wages remain low, but thrift is recast as patriotism. Public services deteriorate, but efficiency is portrayed as proof of discipline. The result is a moral economy that rewards deprivation while concealing structural weakness (Pap & Kovács 2021).

Such rhetoric also helps insulate elites from accountability. If poverty is redefined as strength, then the absence of growth can be celebrated as evidence of moral clarity. In this sense, **"conservatism"** is not ***a fiscal principle but a communication strategy***—one that converts dependence into pride. The illusion of sovereignty is maintained by carefully narrating foreign money as a reward for national virtue rather than an indicator of structural dependency (Bohle & Greskovits, 2019).

Public Debt and Private Extraction

Official debt levels in the region remain moderate, yet household and corporate indebtedness has surged since 2015. Easy access to EU structural loans and ECB liquidity encouraged local banks to expand credit to consumers and real estate developers (Hermes & Köhler-Geib 2021). This private leverage feeds short-term consumption but creates long-term fragility. Public finances appear conservative only because private borrowing fills the gap.

At the same time, profit repatriation by foreign firms drains fiscal space. Between 2010 and 2022, net income outflows averaged 3–4 percent of GDP annually in Hungary and Slovakia (Eurostat 2024). The very investors whose capital props up employment also extract the earnings that might have funded domestic research or infrastructure. Thus, while fiscal conservatism proclaims independence, the real budgetary discipline is imposed by the exit of profits abroad.

The Hidden Deficit: Innovation and Public Goods

The fiscal model sacrifices innovation for liquidity. Governments favor predictable transfers over risky R&D spending and prefer tax incentives for multinationals rather than direct public investment in science (EIB 2022; Inzelt 2022). Healthcare and education expenditures remain the lowest in the EU as a percentage of GDP, leading to overburdened hospitals and ongoing teacher shortages (WHO 2023; Eurofound 2022). These are not anomalies but the logical result of a fiscal policy that treats knowledge as consumption instead of production. Without a knowledge-based tax base, the state sustains itself by recycling borrowed money rather than creating new value.

Moral Contradictions and Political Payoff

The deeper *paradox is that this dependence* actually boosts the power of political incumbents. EU transfers are distributed by central agencies that prefer politically loyal municipalities and contractors (Transparency International 2023). The ***selective allocation of funds*** **becomes a tool for** ***electoral support***—an economic patronage system masked by the language of merit and trust. The public sees new infrastructure but not the hidden subsidies backing it. Therefore, the myth of fiscal virtue endures because it is practically advantageous for both donor and recipient.

For Brussels, transfers uphold political stability at the EU's border; for local elites, they fund legitimacy without reform. Both sides maintain the illusion of self-discipline while secretly recognizing mutual dependence.

The Paradox of Imported Discipline

Fiscal conservatism in *Central and Eastern Europe* is therefore less a doctrine than an aesthetic—*a choreography of austerity performed with other people's money*. The self-image of the *prudent, hardworking nation conceals a financial system tethered to the liberal economies* it criticizes. Sovereignty is rehearsed in speeches but surrendered in balance sheets. What passes for discipline is merely the efficient management of external subsidy.

This is the paradox at the heart of the European periphery: ***the more austerity they preach, the more transfers they require to sustain it***. Fiscal restraint without innovation becomes a theatre of dependence—an imported discipline financed by the very liberalism it condemns.

4. Sovereignty as Performance

In the dependent economies of ***Central and Eastern Europe***, sovereignty is no longer a material condition but a carefully managed performance. The appearance of independence—flags, speeches, cultural revival—is sustained by the very external financing that quietly limits absolute autonomy. It is an ***aesthetic of control*** built upon borrowed resources.

The Theatrics of Independence

Political elites learn to transform EU transfers into symbols of national victory. Projects co-financed by Brussels are opened amid rhetoric of domestic success; plaques mentioning the European Commission are concealed behind local banners. Every bridge, school, or hospital funded by cohesion policy is recast as evidence of national ingenuity. As scholars of post-transition populism observe, the spectacle of development acts as a moral story: ***"we have succeeded by our own hands."*** (Pap & Kovács 2021; Batory 2022).

This performance has several audiences. To Brussels, it demonstrates **"absorption capacity."** To domestic voters, it validates patriotism. To investors, it signals stability. Yet beneath this choreography lies a dual dependence—on external liquidity and on internal belief. The illusion must be maintained because the political economy that sustains it cannot survive exposure.

The Substitution of Symbols for Structure

When material sovereignty is absent, states substitute symbols. Public ceremonies, national holidays, and moral campaigns against ***"foreign influence"*** fill the space where innovation policy, welfare reform, and administrative transparency should stand. The ruling narrative frames every policy debate as a civilizational struggle rather than an economic one (Bohle & Greskovits, 2019). The electorate is invited to feel powerful even when the state is powerless. This dynamic parallels Antonio Gramsci's concept of ***passive revolution***—a transformation managed from above to absorb dissent without changing underlying power relations (Gramsci 1930/1971). By moralizing dependency, elites convert material subordination into patriotic virtue. Sovereignty becomes not a right exercised, but a sentiment performed.

Media Capture and the Manufacture of Belief

Such political theatre requires control over narrative infrastructure. Media centralization in *Hungary and Poland* since 2015 has created an *information environment* where the government can frame every external dispute as an attack on the nation (Freedom House 2024). EU investigations become proof of bravery; sanctions become evidence of martyrdom. The absence of plural media voices allows dependency to masquerade as defiance.
Through repetition, citizens internalize a selective realism: they experience modern infrastructure but are told it was achieved ***despite*** Europe, not because of it. Dependency is thus concealed by emotion. As long as the stage lights of patriotism remain bright, the audience does not see the scaffolding of EU transfers behind them.

Economic Nationalism Without Economic Power

This symbolic sovereignty is most visible in industrial policy. Governments announce "**national champions"—**airlines, energy firms, banks—yet these enterprises rely on imported technology, external credit, and foreign consultants—the spectacle of ownership substitutes for competitiveness. What emerges is a ***dual economy***: globalized production under nationalist branding. The result mirrors dependency patterns described in Latin American structuralist theory—a periphery producing for the core while believing itself autonomous (Cardoso & Faletto 1979).

Fiscal nationalism also depends on this illusion. Tax breaks for foreign investors are seen as wins for local workers even as they weaken the tax base (OECD 2023). Policies are presented as sovereign choices, but in reality, they come at the cost of participating in a system built elsewhere.

The Psychology of the Borrower

Dependency breeds a distinct political psychology—a blend of resentment and pride. The borrower despises the creditor but cannot live without them. The more aid received, the louder the rhetoric of self-reliance. This inversion allows leaders to transform material weakness into emotional strength. The politics of pride thus functions as a coping mechanism for a region caught between gratitude and grievance (Csaba 2018).

Such behavior is not exclusive to Eastern Europe. Postcolonial studies reveal similar patterns where elites domesticate external influence by disguising it with nationalist language (Fanon 1961/2004). What sets the European case apart is that the colonizer and the colonized share the same institutions. The spectacle of independence unfolds within the very framework that sustains it.

The Cost of the Act

The performance has economic and moral costs. Investment in scientific research, cultural openness, and administrative integrity is postponed in favor of visible, emotionally charged projects—such as stadiums, museums, and patriotic curricula. Long-term competitiveness declines even as short-term legitimacy increases. Dependency deepens because the political incentive structure favors symbolism over substance. As sociologist Zsuzsa Ferge warned during the early transition period, ***"a society that confuses redistribution with creation will eventually exhaust both."*** (Ferge 1997). The exhaustion is evident today: underfunded universities, aging infrastructure, and a demoralized middle class migrating westward. Sovereignty has become a ritual performed to mask decay.

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Conclusion: From Performance to Paradox

The theatre of sovereignty functions because it meets emotional needs that material policy cannot. It provides identity, continuity, and dignity to societies that have endured decades of external supervision. Yet this consolation comes at a price: it substitutes imagination with imitation. The more these governments assert sovereignty, the less capacity they retain to exercise it. In the end, sovereignty as performance is both symptom and strategy. It is the political art of surviving dependency through symbolism—an art that, while brilliantly executed, leaves the stage empty once the subsidies stop.

5. The Leakage Problem and the GDP Illusion

Every dependent economy eventually encounters the same contradiction: its national accounts expand even as its domestic wealth base shrinks. Central and Eastern Europe illustrate this tension with precision. The region's impressive GDP growth since accession conceals chronic leakage of profits, people, and intellectual property. The more capital flows in, the faster value flows out.

Profit Repatriation and the Mirage of Output

GDP, by definition, measures the value of goods and services produced within a territory, not who owns that value. In Hungary, Slovakia, and the Czech Republic, more than 60 percent of exports and industrial employment are controlled by foreign firms (Hungarian Central Statistical Office 2023; UNCTAD 2023). Once the profits are repatriated to parent companies in Germany, the Netherlands, or South Korea, the domestic multiplier collapses. In 2022 alone, net income outflows reached 4 percent of Hungarian GDP (Eurostat 2024). The national accounts record growth; the treasury records absence.

This gap creates what development theorists call **statistical sovereignty**—a form of ownership that exists only in data (Cardoso & Faletto 1979). The state can boast of production

volumes while claiming little of the surplus they generate. The GDP number becomes a political asset rather than an economic instrument, sustaining the narrative of progress that conceals structural dependency.

Brain Drain and Human-Capital Leakage

The second channel of loss is demographic. Since 2010, millions of workers from Poland, Hungary, Romania, and Bulgaria have migrated to Western Europe in search of higher wages and functioning institutions (Eurostat 2024; OECD 2023). This exodus disproportionately removes young, educated citizens—the very demographic that could drive innovation. Remittances soften household budgets but also entrench passivity: migration becomes the safety valve that prevents domestic reform. Sociologist Iván Szelényi once described this as ***"exit without voice"***—a population that leaves rather than confronting its elites (Szelényi 2015).
The paradox is that *emigration maintains both parts of the dependency cycle*. Western Europe brings in labor and supports growth; *Eastern Europe exports labor and maintains political stability*. The sending countries can promote low unemployment, while the receiving countries get a flexible workforce. Everyone benefits except the societies that are drained of their own future.

Technological Leakage and the Innovation Trap

A subtler leakage occurs through technology transfer. Most "R&D" in the region consists of applied engineering or adaptation for foreign production lines (Inzelt 2022). Intellectual property rights remain with the parent firms abroad, leaving local engineers as implementers rather than innovators. Patents filed from Central Europe frequently list foreign ownership even when research was performed domestically (EIB 2022). Thus, the celebrated rise in R&D spending reflects imported science, not endogenous discovery.
This technological dependency reproduces itself through education. University curricula oriented toward servicing multinational corporations crowd out critical research and social science. Knowledge production becomes an extension of subcontracting. The result is a self-perpetuating cycle of technical proficiency without creativity—a cognitive mirror of economic dependency.
The False Comfort of Macroeconomic Indicators
The leakage economy produces flattering statistics that obscure fragility. Current-account balances appear stable because remittances offset profit outflows. Budget deficits seem controlled because EU transfers plug the fiscal gap. Currency stability is maintained through foreign reserves financed by the same external investors who repatriate profits (ECFIN 2022). Each indicator improves while autonomy declines.
Economist László Csaba (2018) calls this *"the illusion of equilibrium"*—a macroeconomic calm sustained by external anchors rather than internal strength. The GDP figure becomes a comfort metric, not a diagnostic tool. It reassures voters and donors alike that integration works, even as the underlying productive base erodes.
Cultural Consequences of Economic Leakage
Over time, the constant outward flow of wealth and talent reshapes collective psychology. Citizens internalize a sense of smallness masked by national pride. Public debate gravitates toward moral symbolism because material agency feels unreachable. Governments encourage this shift: when economics cannot be controlled, culture becomes the substitute battlefield. In this sense, economic leakage fuels cultural conservatism—the ideology that justifies the very dependency it denies.

Conclusion: Growth Without Accumulation

The ***Central European growth*** model delivers motion without direction. GDP expands; ownership contracts. Roads and factories multiply; intellectual property evaporates. The nation appears richer, yet its citizens remain tenants of someone else's prosperity.

The ***leakage problem transforms the region's economic miracle*** into a statistical mirage. By outsourcing both capital and cognition, these states have achieved growth without accumulation—***proof that integration without innovation*** merely perfects the art of dependency. The objective measure of sovereignty is not production but retention: who keeps what is made, and who remains to make it.

6. Conditionality and Control

The ***European Union*** no longer disciplines its members through conquest or expulsion. It governs through ***conditionality***: a ***dense web of fiscal rules, legal milestones*****,** and performance indicators that turn budgetary dependence into administrative obedience. In Central and Eastern Europe, this ***mechanism has become the principal instrument of integration***—and the quiet substitute for political accountability.

Rule-of-Law Conditionality as Fiscal Governance

Since the adoption of ***Regulation (EU, Euratom) 2020/2092***, the Union can suspend or reduce payments to any member whose rule-of-law deficiencies "affect or seriously risk affecting" the ***sound management of EU funds*** (European Commission 2023). The language of legality masks a deeper function: conditionality translates political trust into financial creditworthiness. Brussels does not punish; it calibrates cash flow. Budgetary disbursements now depend on judicial reforms, procurement transparency, and anti-corruption measures rather than macro-targets alone (EPRS 2023).

In practice, ***conditionality converts the EU budget into an*** **enforcement** ***algorithm***. Each payment is contingent upon milestones verified by ***Commission staff and external auditors***. For recipient states, compliance becomes a ***matter of liquidity management***. The formal sovereignty of national parliaments is maintained, but fiscal autonomy is quietly outsourced to European technocracy. What used to be diplomatic negotiation has become procedural calibration.

Soft Power, Hard Dependency

Conditionality functions as ***soft power precisely because it is not coercive***. The promise of funds keeps governments engaged even when rhetoric turns hostile. Suspension of payments—as occurred with Hungary's cohesion-fund freeze in 2022—creates immediate fiscal contraction without political drama (Horváth 2023). The architecture is self-enforcing: no votes, no troops, only delayed reimbursements. Dependency becomes self-discipline.

This model is attractive to the Union because it maintains integration without open conflict. It also absolves the centre of moral responsibility: Brussels can claim neutrality while exercising profound influence over domestic policy. For the periphery, however, it institutionalizes a double

bind—states are too dependent to resist yet too proud to acknowledge dependence. The result is a politics of perpetual negotiation disguised as governance (Batory 2022).

Procedural Compliance and the New Bureaucratic Empire

Conditionality represents a shift from ideological to procedural imperialism. Power is exercised not through mandates but through paperwork. National ministries replicate EU templates for auditing, procurement, and data reporting; entire bureaucracies are re-engineered to ensure ***absorptive capacity*** (EIB 2022). This "compliance bureaucracy" now constitutes a parallel state within the state—technically efficient but politically unaccountable.

Hungary's 2023 "integrity authority," for example, was established to meet EU funding conditions rather than domestic reform demand. Such institutions are born not of conviction but of necessity; they exist to release tranches, not to change cultures. Once funds arrive, oversight wanes and patronage resumes. Conditionality thus creates formal reform without substantive transformation—reform as transaction.

The Asymmetry of Oversight

The ***system is asymmetric***. Western members, whose financial flows are inward, face minimal scrutiny, whereas Eastern members are monitored line by line. This ***differential transparency*** produces a moral hierarchy within the Union: the lenders are presumed virtuous, the borrowers perpetually suspect. The ***periphery experiences conditionality*** as surveillance; the core experiences it as stewardship (Bohle & Greskovits, 2019). Over time, this hierarchy breeds resentment, fueling the very populism the mechanism seeks to contain.

From Sanctions to Self-Censorship

The most subtle effect of ***conditionality is psychological***. Officials internalize Brussels' expectations and adjust policies preemptively to avoid funding delays. This self-censorship reduces overt confrontation but narrows democratic debate. Policy innovation declines because of the penalty for deviation risks. As political scientist Vivien Schmidt notes, ***"the Union governs by anticipation as much as by rule."*** Conditionality thereby extends control into imagination: states begin to think only within the parameters of compliance.

The Quiet Success of Technocratic Control

Stability-wise, the system works. Despite rhetorical defiance, no member has entirely forfeited cohesion funds. ***Budgets remain aligned; currencies remain stable***. The **European project** continues without the ***spectacle of expulsion***. But the cost is democratic fatigue. Citizens experience ***governance as remote, procedural, and depoliticized***—a matter of forms and benchmarks rather than debate. The very mechanism that preserved unity has replaced politics with accounting.

Conclusion: Integration by Audit

Conditionality transforms the ***moral language of Europe into the grammar of finance***. It replaces ***trust with verification, politics with paperwork, and solidarity with solvency***. For the dependent economies of the East, it ***institutionalizes obedience through cycles of reimbursement***; for the core, it offers the ***comfort of control without confrontation***. In this

arrangement, integration survives by substituting persuasion with procedure. The ***empire of Brussels*** does not conquer; it audits. And in that audit lies both the ***durability and the fragility of the European experiment***: a union held together not by conviction, but by conditionality.

7. The Moral Economy of Dependency

Dependency ***in Central and Eastern Europe*** is not sustained solely by coercion; it endures because it ***satisfies emotional and social needs***. What began as an economic compromise has matured into a moral consensus. Citizens tolerate inequality in exchange for stability, and governments justify stagnation in the language of virtue. The result is a ***moral economy of dependency***—a system in which subordination feels righteous.

Virtue as Justification

When fiscal scarcity is constant, thrift becomes ideology. Leaders frame restraint as patriotism: ***modest wages signal discipline, social quietude proves responsibility***. Political discourse recasts dependency as the outcome of moral integrity rather than structural position. ***"We live within our means,"*** declares the government that survives on transfers (Pap & Kovács 2021). The narrative converts ***poverty into evidence of purity***—an **inversion of Max Weber's "Protestant ethic"** in which success was proof of grace; here, hardship is proof of virtue. This ***inversion explains the durability of conservative populism*** in the region. Citizens who experience economic frustration nonetheless identify with the ***rhetoric of endurance***. Their material deprivation is reframed as participation in a moral mission: defending faith, family, and nation against a decadent West. Dependency is thus moralized, not merely endured.

The Psychology of Gratitude and Resentment

A ***second pillar of the moral economy*** is emotional ambivalence. The same societies that receive cohesion funds express resentment toward the donors. Gratitude for development aid coexists with hostility toward the conditions attached to it. This ***cognitive dissonance*** stabilizes the system: **anger sustains political energy, while gratitude encourages ongoing compliance** (Csaba 2018). Citizens can blame Brussels for their frustrations while benefiting from its subsidies—a convenient balance for both rulers and the ruled.

Social psychologists describe this as ***reactive dependence***: the subordinate party resists domination symbolically while accepting it materially (Fanon 1961/2004). It allows moral superiority to coexist with fiscal subordination. The borrower imagines himself spiritually richer than the lender.

Social Contract of Low Expectations

Dependency also reshapes the implicit social contract. Citizens no longer expect the state to deliver prosperity; they expect it to provide predictability. Bureaucratic inertia, low wages, and poor services become acceptable so long as crises are avoided. In return, governments promise order and cultural continuity. The exchange is emotional: security for ambition. Sociologist Iván Szelényi (2015) called this ***"the politics of resignation."*** By lowering expectations, elites maintain legitimacy without performance.

This moral compact extends to institutions. Universities seek patronage rather than autonomy; churches trade silence for subsidies; the media internalize self-censorship as civic duty. The result is a society comfortable with obedience so long as it is couched in moral language.

Dependency as Identity

Over time, the moral economy fuses with national identity. Dependency ceases to be an external condition and becomes an internal narrative—proof of moral steadfastness in a corrupt world. **"Small but pure," "faithful yet ignored," "the last defenders of Europe"—**such slogans transform **marginality into destiny**. They provide dignity where material agency is scarce. This is why policy failures rarely provoke revolt: they confirm, rather than contradict, the story of righteous isolation. The paradox deepens when external transfers are interpreted as tributes owed to the nation's historical suffering. EU funds are not seen as aid but as restitution for past injustices. This moral accounting neutralizes the stigma of dependence and transforms economic inflows into emotional reparations.

The Role of Religion and Tradition

Religious and traditional institutions reinforce this moral economy. By emphasizing sacrifice, humility, and endurance, they provide a vocabulary that makes deprivation intelligible. The Christian narrative of suffering redeemed through faith aligns neatly with economic narratives of patience rewarded by future growth. Political elites exploit this overlap: accepting dependency becomes a form of spiritual obedience. The church blesses austerity as virtue; the state sanctifies poverty as patriotism.

The Consequences of Moral Comfort

The ***moralization of dependency*** blunts the impulse for reform. Innovation threatens hierarchy; ***meritocracy undermines loyalty; transparency endangers myth.*** As long as obedience is framed as goodness, mediocrity remains safe. The moral economy produces social peace at the cost of dynamism. Its citizens are neither exploited nor emancipated—they are comforted. Yet comfort is not stability. When external funding declines or global crises expose structural weakness, moral reassurance cannot replace material resilience. Dependency tolerated as a virtue quickly becomes dependency experienced as shame. The transition from pride to humiliation can be sudden, as seen in the populist backlashes that follow every major funding freeze (Horváth 2023).

Conclusion: The Ethics of Borrowed Sovereignty

The ***moral economy of dependency*** completes the cycle of borrowed sovereignty. Economic aid becomes political legitimacy; political obedience becomes moral identity. Dependency persists because it is felt as a matter of decency. It provides citizens with a sense of meaning in exchange for agency and offers elites a vocabulary of virtue instead of reform. Breaking this cycle will require more than financial independence; it will need moral reinvention—a shift from endurance to aspiration, from gratitude to curiosity. Only when prosperity is recognized as a collective right rather than a foreign gift can sovereignty stop being borrowed and start being lived.

Conclusion – Borrowed Sovereignty in the Twenty-First Century

The **Central and Eastern European "success story"** has been a triumph of motion without direction. GDP grows, infrastructure expands, and national pride is loudly proclaimed, yet the underlying pattern remains one of dependency. What these states have borrowed is not only capital but also legitimacy, discipline, and even self-definition. Integration into the European Union promised emancipation; it delivered supervision. The region entered modernity through the back door of conditionality.

The Layers of Dependency

Volume II has traced three interlocking layers of borrowed sovereignty.
Economically, prosperity rests on external inflows—cohesion funds, foreign investment, and cheap credit—that sustain growth but stifle innovation.

Politically**,** governments translate that dependency into theatre, performing independence while administering transfers.

Morally, citizens internalize the arrangement as virtue: endurance replaces ambition, thrift substitutes for progress, and borrowed success is celebrated as national resilience.

These layers reinforce each other. Economic dependence breeds political theatre; political theatre needs moral validation; moral validation stabilizes economic dependence. Together, they form a self-sustaining system that is remarkably resistant to reform because it rewards both donors and recipients. Brussels secures compliance without confrontation; local elites secure legitimacy without delivery.

Europe's New Hierarchy

Conditionality has replaced coercion as Europe's organizing principle. The Union governs through metrics, not mandates. Yet the asymmetry persists: the liberal core exports capital and rules; the conservative periphery imports both. This arrangement produces a moral hierarchy disguised as technical governance. Western virtue is measured by surplus, Eastern vice by subsidy. The very instruments designed to promote cohesion reproduce stratification, embedding peripherality inside the architecture of integration (Bohle & Greskovits, 2019; EPRS, 2023).

The Cost of Borrowed Stability

For two decades, dependency has purchased calm. EU funds have built roads, financed pensions, and kept currencies stable. But stability without creativity erodes over time. Underinvestment in research, education, and institutional autonomy has left the region ill-prepared for the next technological wave—artificial intelligence, green industry, and demographic contraction. When the inflows slow or conditionality tightens, the façade of

sovereignty will confront its material limits. Dependency, once moralized as prudence, may reappear as stagnation.

Toward a Post-Dependent Europe

Escaping the cycle requires more than fiscal independence. It demands ***intellectual sovereignty*****:** the capacity to generate ideas, technologies, and narratives that do not depend on validation from elsewhere. The path forward lies in restoring universities as centers of innovation, protecting scientific autonomy from partisan capture, and encouraging a civic culture that prizes curiosity over obedience. Genuine conservatism—rooted in stewardship rather than nostalgia—could become the foundation for such renewal if it embraced knowledge as inheritance rather than threat.

Reimagining the Union

For the ***European Union*** itself, the challenge is equally moral. Cohesion cannot be engineered by audit alone. If integration remains a balance-sheet relationship between creditor and client, it will breed fatigue on both sides. The Union must evolve from a system of monitored transfers into a community of shared creation—one that values contribution as much as compliance. The test of Europe's maturity will be whether it can replace the governance of dependency with the politics of collaboration.

Final Reflection

Borrowed sovereignty has given Europe two decades of peace and modernization, but it has also entrenched a quiet hierarchy of reliance. The lesson of this paradox is simple: sovereignty cannot be imported, and solidarity cannot be conditional. Unless innovation and dignity are generated from within, the periphery will remain disciplined but directionless, and the centre will govern without conviction.

True independence, for both sides, begins where borrowed virtue ends—at the point where Europe learns to create together rather than supervise apart.

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